

Message Text

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ACTION ARA-17

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DODE-00 PM-09 H-02 INR-10 L-03 NSAE-00 NSC-10 PA-03

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O R 022035 Z APR 73

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC IMMEDIATE 7039

INFO AMEMBASSY BOGOTA

AMEMBASSY BUENOS AIRES

C O N F I D E N T I A L BRASILIA 1826

REF: STATE 058440

E. O. 11652: GDS

TAGS: PFOR, CU, US, BR, OAS

SUBJ: OASGA - CUBA POLICY

1. I HAVE NO DOUBT ABOUT GOB' S INTENTION AT OAS GA REGARDING CUBA; INDEED BRAZILIANS ARE AS DETERMINED AS WE WITH RESPECT TO OPPOSING ANY ATTEMPT TO LIFT OR UNDERCUT SANCTIONS. NEVERTHELESS, I WELCOMED OPPORTUNITY AFFORDED BY REFTEL TO SHARE WITH THEM OUR CURRENT EVALUATION OF SITUATION. FONMIN GIBSON HAD ALREADY DEPARTED BRASILIA FOR LEAVE BEFORE PROCEEDING TO WASHINGTON FOR OAS GA. IN HIS ABSENCE I DISCUSSED MATTER WITH ACTING FONMIN CASTRO E SILVA WHO WILL BE TALKING BY PHONE WITH MARIO GIBSON SOME TIME LATER TODAY.

2. CARVALHO E SILVA NEEDED NO ADDITIONAL REASSURANCE CONCERNING STRENGTH OF OUR VIEWS ON SUBJECTS DISCUSSED BUT WELCOMED OUR EVALUATION OF PROBABLE VOTE TALLY. HIS VIEWS COINCIDED WITH OURS WITH SOLE EXCEPTION OF COLOMBIA, BRAZILIANS BEING UNCERTAIN THAT IN FINAL ANALYSIS COLOMBIA WILL IN FACT JOIN IN OPPOSING CHANGE. CONVERSATIONS WHICH MARIO GIBSON HAD HAD WITH THE COLOMBIAN FONMIN SOME TIME AGO HAD LED TO THIS UNCERTAINTY. CARVALHO E SILVA SAID THAT MARIO GIBSON PLANNED
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TO PURSUE MATTER WITH COLOMBIAN IN WASHINGTON IN HOPE THAT LATTER CAN BE BROUGHT TO MORE FIRM POSITION. (IN THIS CONNECTION I HAVE NO DOUBT THAT ON BL WESTINGHOUSE AND GE REPS CONSIDER EEBB TO BE WELL

ORGANIZED AND ADMINISTERED. FURTHER EVIDENCE OF GOOD REPUTATION IS ITS SUCCESSFUL UTILIZATION OF THREE IBRD LOANS DURING 1960' S. EXIMBANK LOAN FOR \$2.1 MILLION SIGNED SEPT 1972 WAS 70 PERCENT DISBURSED BY END DEC 1972. THESE AND OTHER LOANS FROM KFW AND JAPAN EXIMBANK ALL HAVE INTEREST RATES APPROXIMATELY 7 PERCENT OR LESS. OUTSTANDING FOREIGN EXCHANGE DEBTS BEING PAID ON SCHEDULE AND AMOUNTED TO ABOUT \$30 MILLION AT END 1972.

4. EEBB WAS PLANNING EXPANSION AND MODERNIZATION WITH TOTAL FOREIGN EXCHANGE COST APPROXIMATELY \$35 MILLION WELL BEFORE GOC INITIATED SPECIAL BOGOTA URBAN DEVELOPMENT IDEA. OWING TO SPECIAL GOC PRIORITY ACCORDED URBAN DEVELOPMENT IDEA. OWING TO SPECIAL GOC PRIORITY ACCORDED URBAN DEVELOPMENT PROJECT EEBB IDENTIFIED 7 MILLION OF ITS TOTAL AS COSTS WITHIN SO- CALLED EASTERN ZONE. SOMEWHAT ARTIFICIAL GEOGRAPHICAL DIVISION OF TOTAL EEBB GOALS LEFT REMAINDER OF ORIGINAL PLANS TO BE FINANCED. PROPOSED \$25 LOAN WILL REPORTEDLY COVER COVER 60 PERCENT OF RAMAINING TOTAL COSTS AND MORE THAN 90 PERCENT OF FOREIGN EXCHANGE COSTS. PROPORTIONS ARE NOT SEEN AS EXCESSIVE IN PROJECT OF THIS NATURE.

5. EEBB EXPANSION CLEARLY HAS PRIORITY GOC SUPPORT. PRESIDENT AND MAYOR PROMPTED EEBB TO PARTICIPATE IN SPECIAL GOC BOGOTA DEVELOPMENT PLAN FOR ESTERN ZONE. EEBB OBJECTIVES WITHIN THAT PLAN ARE DIRECTLY LINKED TO AND DEPENDENT UPON IMPROVEMENTS AND EXPANSIONS OUTSIDE SPECIFIC ZONE; I. E. WORK TO BE FINANCED BY PROPOSED LOAN IS IMPORTANT TO SPECIAL DEVELOPMENT PROJECT THAT HAS GOC POLITICAL SUPPORT AS WELL AS TO OVERALL EEBB ELECTRIC POWER GOALS IN BOGOTA. IN FACT WE HAVE IMPRESSION THAT WORK UNDER PROPOSED LOAN MAY PROCEED MORE RAPIDLY THAN PORTION UNDER SPECIAL INTEGRATED URBAN DEVELOPMENT PROJECT. PROPOSED LOAN IS ON GOC 1973 PROJECT LIST FOR EXTERNAL FINANCING. EEBB EXPECTS FINAL CLEARANCE AND APPROVAL OF LOAN BY NATIONAL PLANNING DEPT IN VERY NEAR FUTURE. ALSO EXPECTS CONFIRMATION GOC TREASURY GUARANTEE OF FOREIGN DEBT OBLIGATION.

6. QUESTIONS THAT US EXECUTIVE DIRECTOR MIGHT RAISE COULD INCLUDE:
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(A) ACCORDING TO EEBB, PROJECTED CASH FLOW DEFICITS IN 1973 AND

1974 MAY BE COVERED BY \$6.5 MILLION LOAN FROM FIRST NATIONAL CITY BANK-- CAN EEEB AFFORD COMMERCIAL TERMS OF SUCH A LOAN? (B) ALSO RE CASH FLOW, WE UNDERSTAND THAT PROJECTED RECEIPTS ARE BASED ON ASSUMPTION OF 2 PERCENT AVERAGE ANNUAL INCREASE IN RATES IN REAL TERMS-- DOES EEEB ANTICIPATE ANY DIFFICULTIES IN RAISING RATES DURING POLITICALLY SENSITIVE PRE- ELECTION PERIOD 1973-1974? IF SO, WHAT ARE IMPLICATIONS FOR COMPANY' S FINANCIAL PROJECTIONS? (C) PART OF WORK TO BE FINANCED BY LOAN INCLUDES FACILITIES WHERE WATER LOADED WITH INDUSTRIAL POLLUTION IS TO BE DIRECTED THROUGH TURBIINES -- HAS EEEB ATTEMPTED TO CALCULATE COSTS INVOLVED IN MORE INTENSIVE MAINTENANCE AND SHORTER SERVICE LIFE OF MACHINES ASSOCIATED WITH DAMAGE CAUSED BY POLLUTION? MIGHT COSTS BE SUFFICIENTLY SIGNIFICANT TO JUSTIFY MEASURES TO REDUCE LEVEL OF SUSPENDED MATTER IN WATER? (D) DOES EEEB PROJECT CLEARLY AIM AT IMPROVING VOLTAGE REGULATION, WHICH IS PARTICULAR PROBLEM IN BOGOTA AREA WITH ACCOMPANYING EXTRA COST IMPLICATIONS RELATED TO WASTE AND DAMAGES? SACCIO

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